



UNIVERSITY OF WISCONSIN SYSTEM

**FY23 Year End Review
&
FY24 Annual Operating Budget**

Board of Regents Meeting August 22, 2023

Sean P. Nelson, Vice President for Finance and Administration



FY23 Year End Review

FY23 Budget-to-Actuals Report

- *Individual campus Budget-to-Actual reports included in board materials*
 - Total revenues exceeded budget by \$387.4M
 - \$235.3M (60%) of variance from restricted sources, such as gifts, grants, contracts
 - *Unpredictable revenue sources given volume of donors/grantors and timing of receipts*

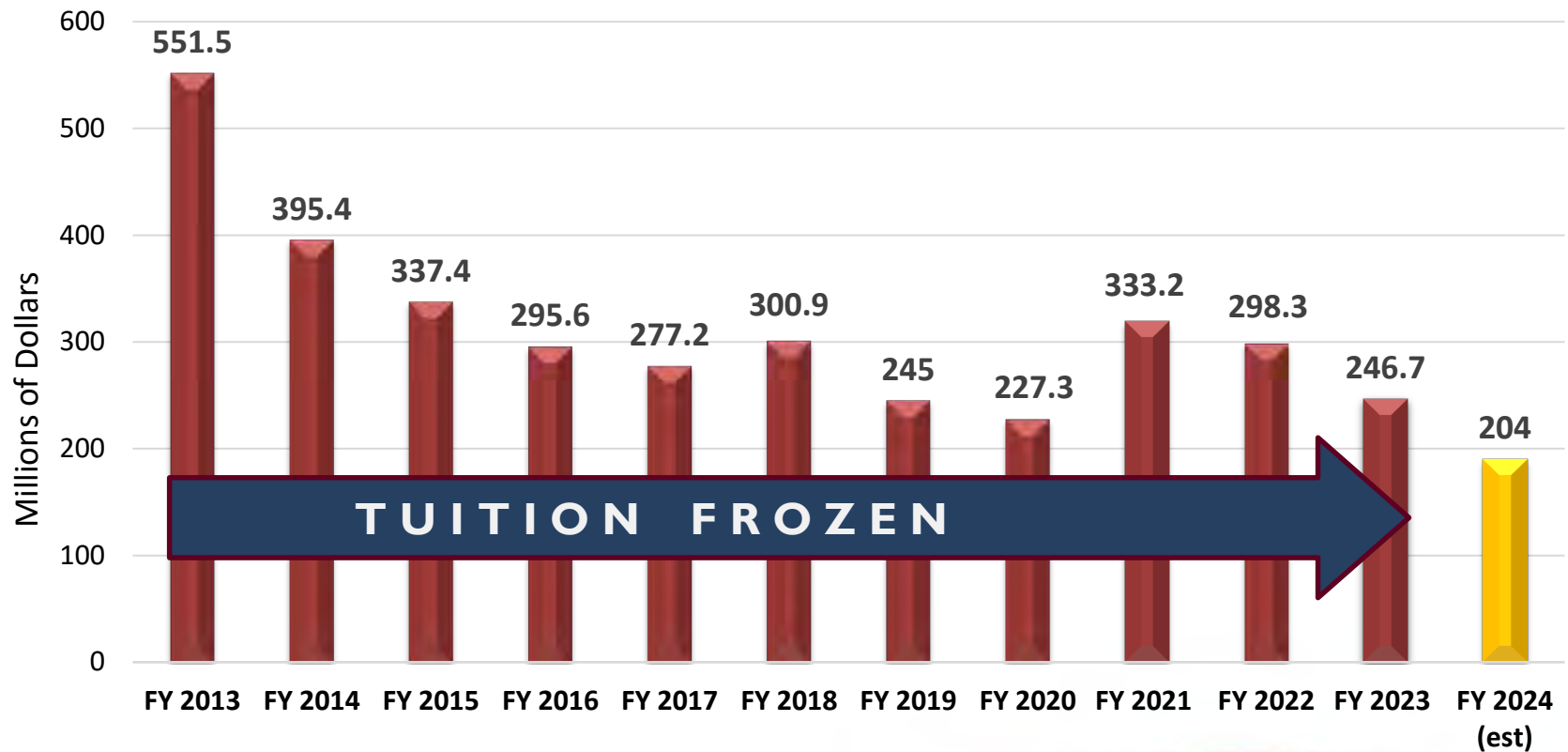
FY23 Budget-to-Actuals Report (con't.)

- Expenses from all funds exceeded budget by \$250.8M
- 73% of variance in salary and benefit costs, largely due to UW-Madison's expenses related to gifts, grants, and contracts
- FY23 expenses 0.5% above total revenue
- 11 UW campuses had expenses exceed revenue at year end
- ***A total of \$37.1M in balances deployed in FY23 to balance budgets***

Year End Review, continued

- Inflation, flat state support, enrollment headwinds, market compensation continue to constrain budgets
- Structural deficits (recurring expenses exceeding ongoing revenue) persist within several campuses
- UW System contracted with Deloitte Consulting to conduct financial and strategic assessments
- Campuses with budget deficits are developing recovery plans; some are accelerating actions
 - *Financial recovery plans will be required by June 30, 2024*

GPR/Tuition balances are down \$51.6M, or 17% from prior year

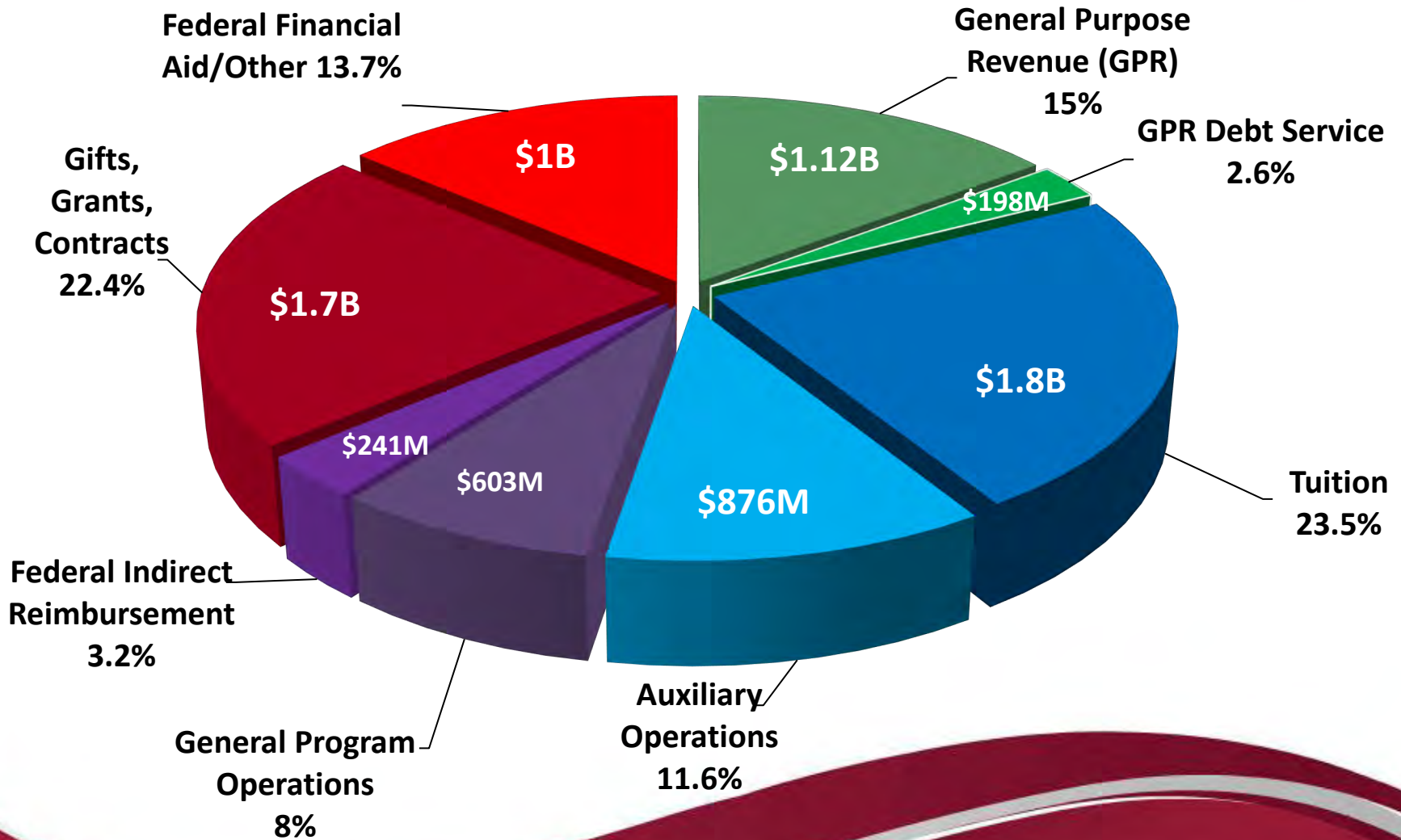


FY24 Annual Budget: ***Budget Sources***

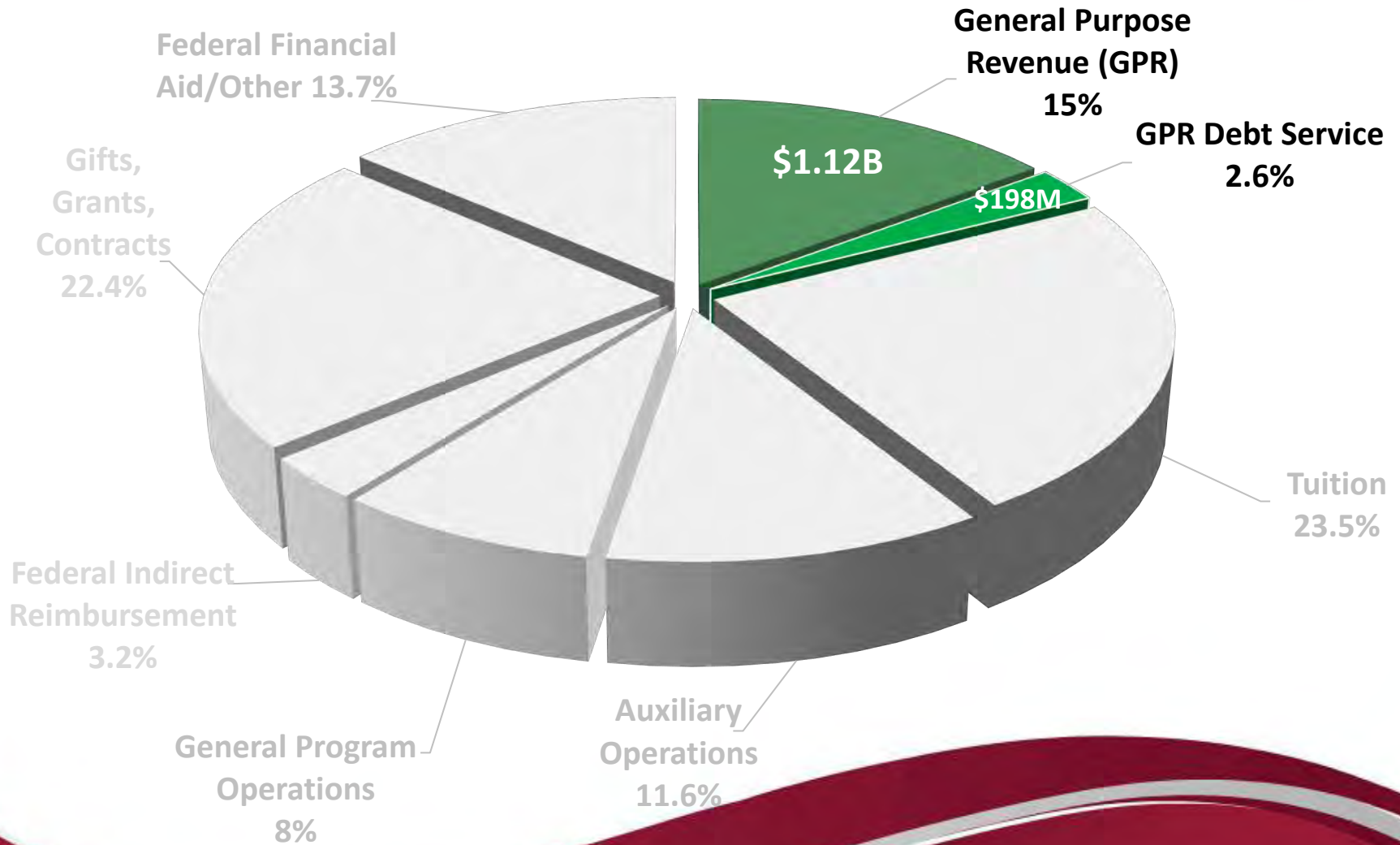


Total Expense Budget

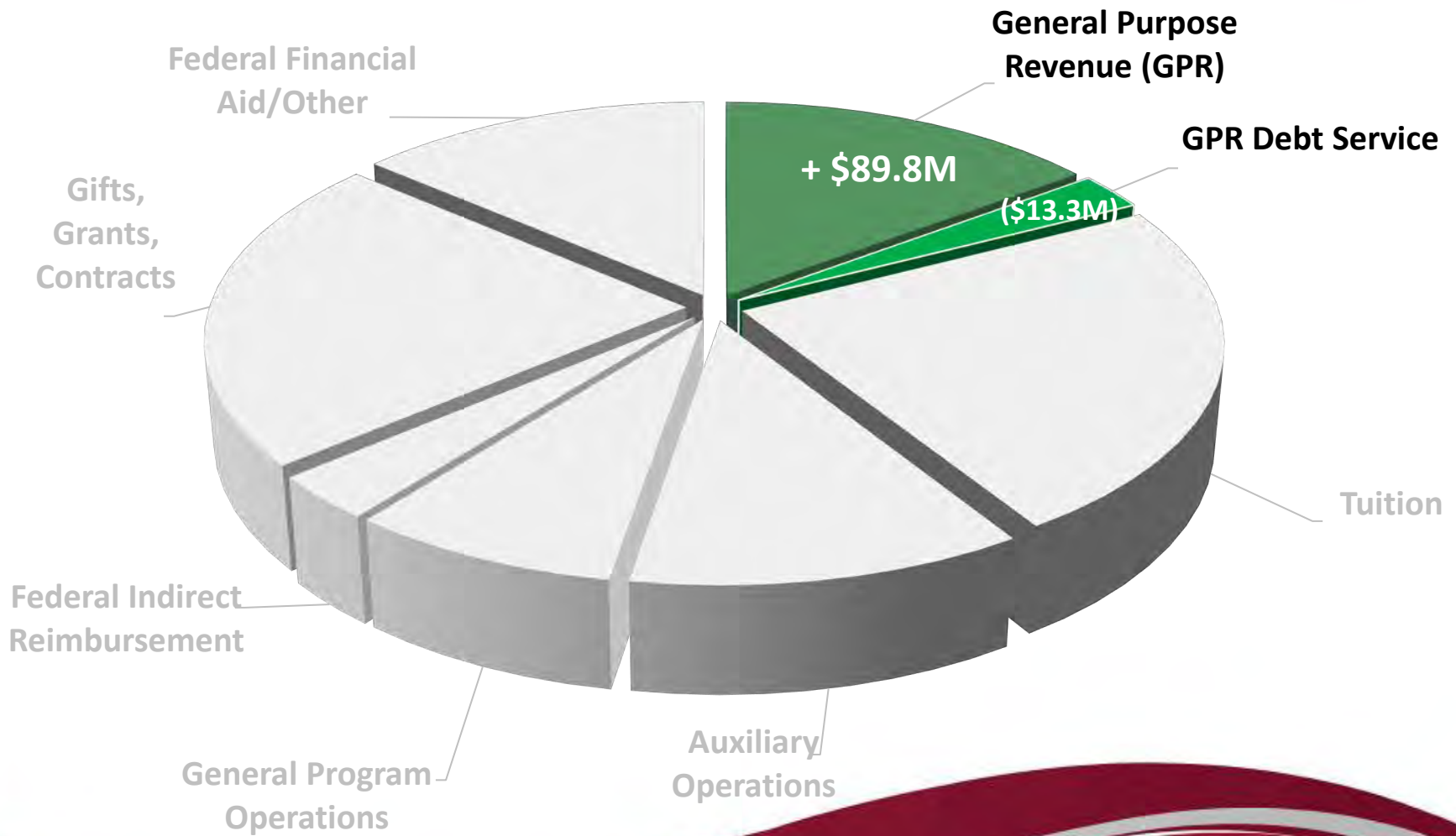
➤ *Estimated FY2023-24 Expenditures: \$7.53 billion*



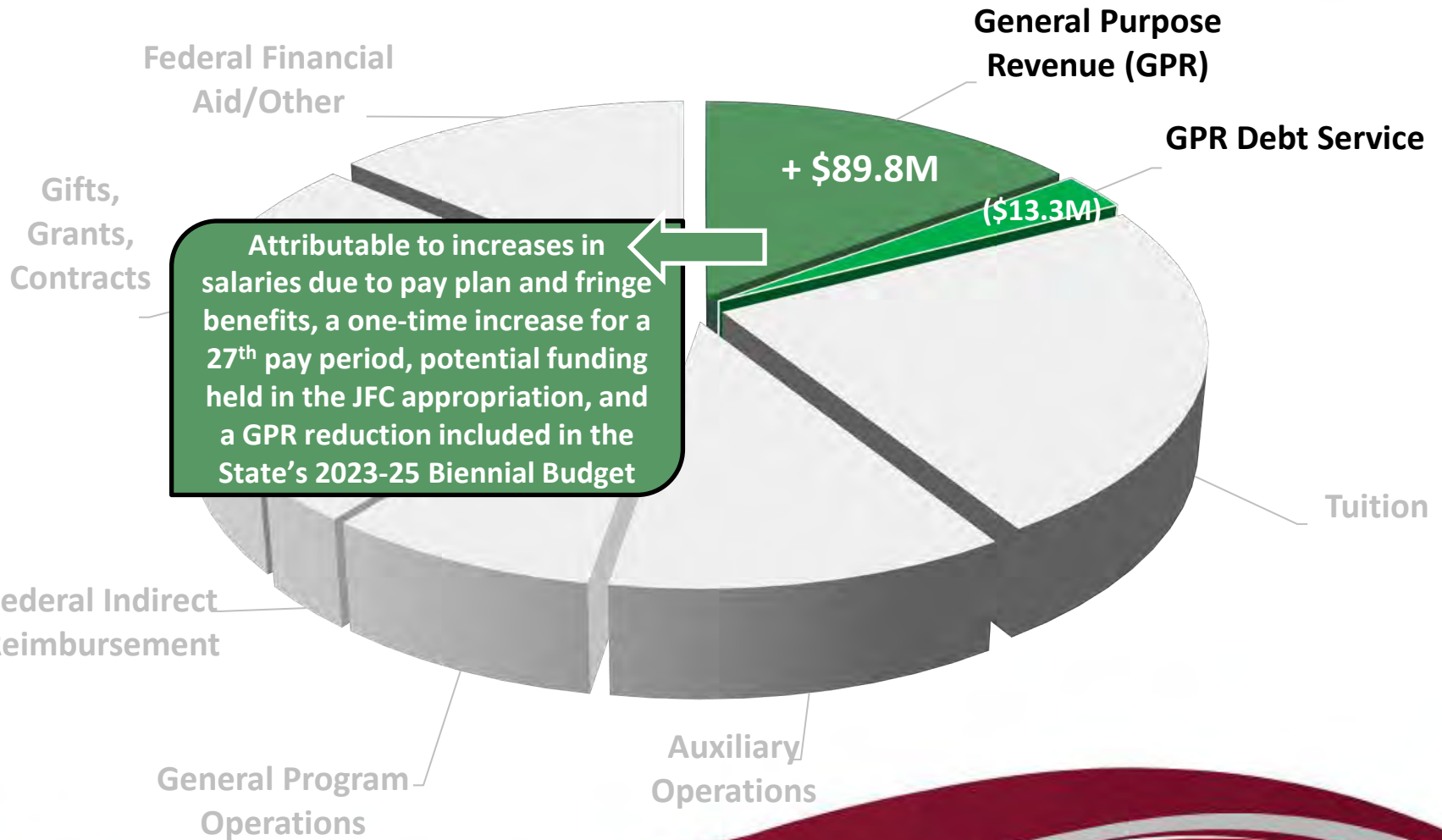
Revenue Source: GPR (state support)



Budget Change: GPR (state support)



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Breakdown of Changes in General Purpose Revenue (GPR)

GPR Purpose	FY23 Expenditure Budget	FY24 Expenditure Budget	Dollar Change	Percent Change
Operational GPR	\$ 1,027,075,448	\$ 1,011,134,548	\$ (15,940,900)	-1.55%
Debt Service	\$ 211,391,800	\$ 198,072,400	\$ (13,319,400)	-6.30%
Pay Plan Salaries, including fringe	\$ -	\$ 60,957,338	\$ 60,957,338	
27th Pay Period (one-time funding)	\$ -	\$ 28,797,623	\$ 28,797,623	
Potential Funding in JFC Appropriation	\$ -	\$ 15,940,900	\$ 15,940,900	
GPR Totals:	\$ 1,238,467,248	\$ 1,314,902,809	\$ 76,435,561	4.88%

- *GPR change less one-time funding and potential JFC funding is \$31.7 million, or 2.5%*

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\$15.9M Reduction in General Purpose Revenue (GPR)

- UW-Madison and UW System combined to absorb 52% of the GPR reduction
- Remaining GPR reduction was distributed based on the campus percentage allocations from the **Outcomes-Based Funding** formula, as approved by JFC in FY19
- For most campuses, new tuition revenue will partially mitigate reduction in GPR

GPR Reduction by Campus



UW Institution	Percentage of Reduction by Campus*	FY24 GPR Reduction
Madison	43.9%	\$ (7,005,037)
Milwaukee	13.5%	\$ (2,144,248)
Eau Claire	4.9%	\$ (776,009)
Green Bay	2.8%	\$ (440,853)
La Crosse	4.0%	\$ (639,682)
OshKosh	4.5%	\$ (715,914)
Parkside	0.9%	\$ (142,275)
Platteville	2.9%	\$ (465,492)
River Falls	2.6%	\$ (418,971)
Stevens Point	3.7%	\$ (584,737)
Stout	3.3%	\$ (518,631)
Superior	0.6%	\$ (92,734)
Whitewater	4.3%	\$ (681,948)
UW System Administration	8.3%	\$ (1,314,369)
Totals:	100.0%	\$ (15,940,900)

➤ **Total FY24 reduction reflects a 1.55% decrease in operational GPR over FY23**

* Based on the FY23 Outcomes Based Funding distribution, adjusted to include UW System Administration's contribution

JFC Supplemental Budget Request

- FY24 state budget set aside \$15.9M in supplemental funding held by the Joint Committee on Finance (JFC)
 - *Funding contingent upon approval of UW's proposal to support workforce development*
- UW System solicited proposals from the all campuses to support additional capacity in 4 priority workforce areas: **Engineering, Nursing/Healthcare, Computer/Data Science, and Business**
- Will seek Board of Regents' approval for UW's proposed submission to JFC at the October 5th meeting

Other Notable FY24 GPR Budget Items Funded through Higher Education Aids Board (HEAB)

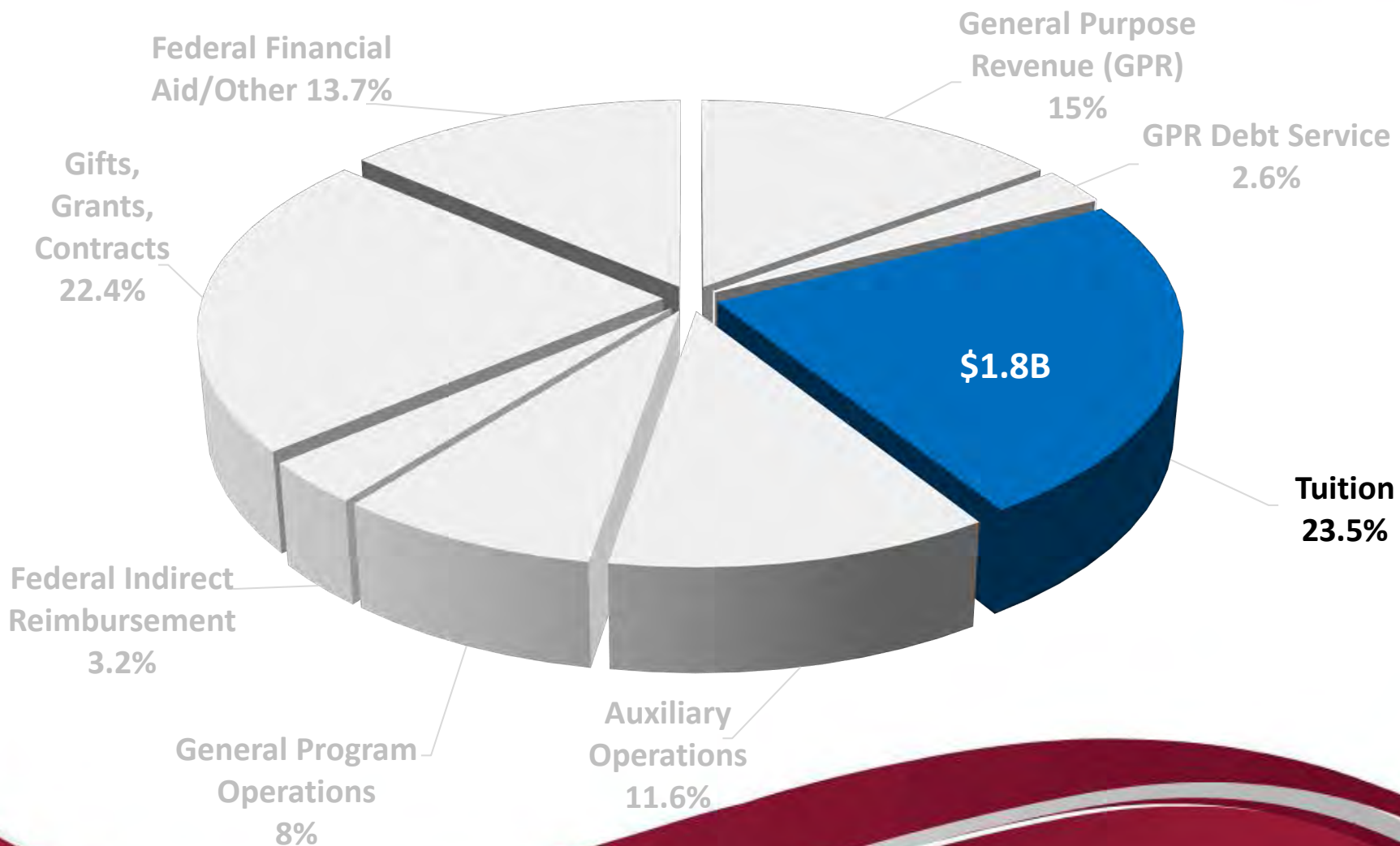
- **Wisconsin Grant:** the state's primary need-based financial aid program
 - Level funding from FY23 at \$61.9M
 - Pending legislation, if approved, would increase eligibility and remove statutory cap of \$3,150 on grant awards

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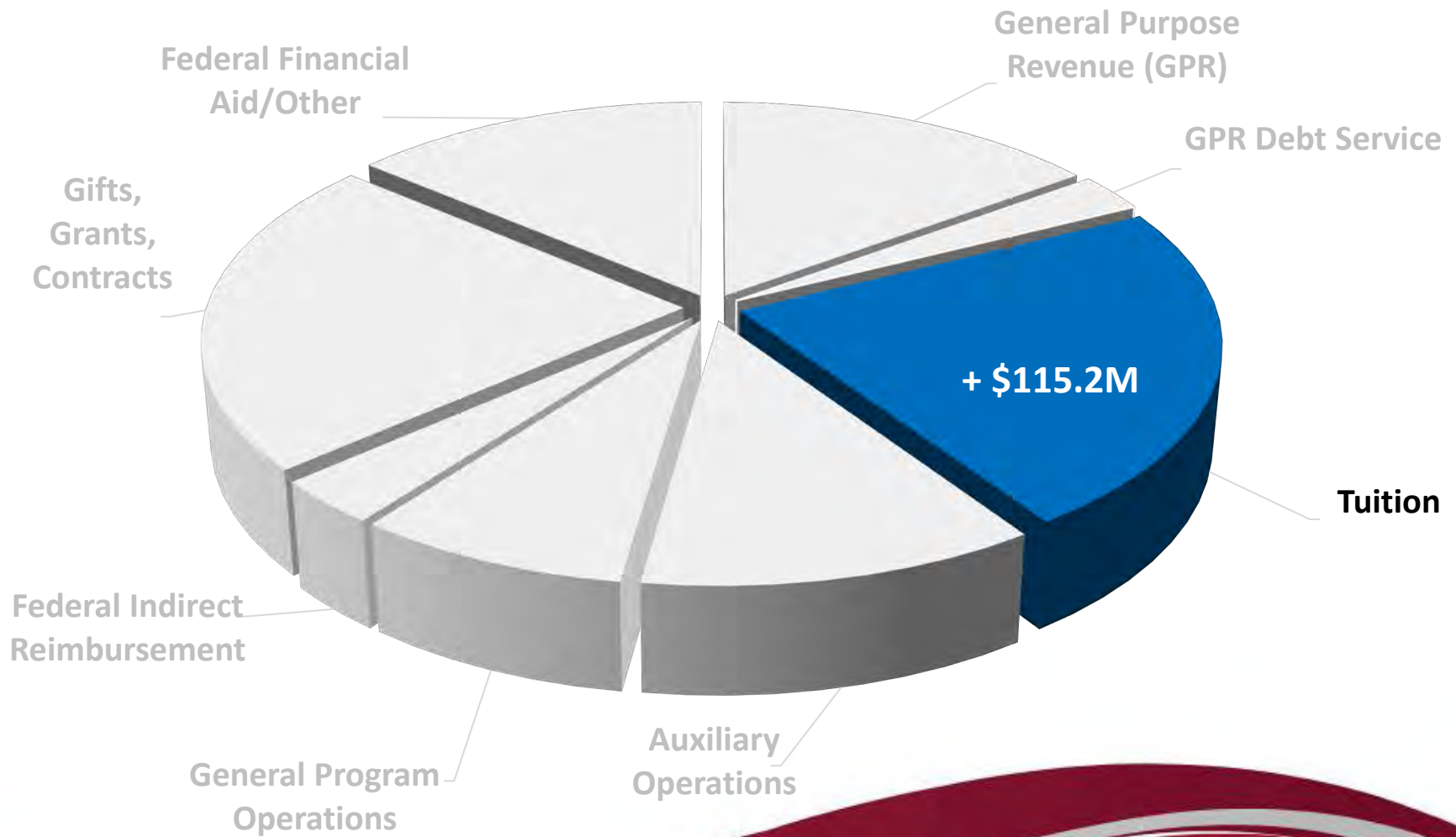
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 - Level funding from FY23 at \$61.9M
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- **Nursing Educators Initiative:** fellowships and loan repayment program for Wisconsin institutions of higher education
 - Level funding from FY23 at \$5M
 - UW campuses received \$1.5M in FY23, or 30% of total appropriation

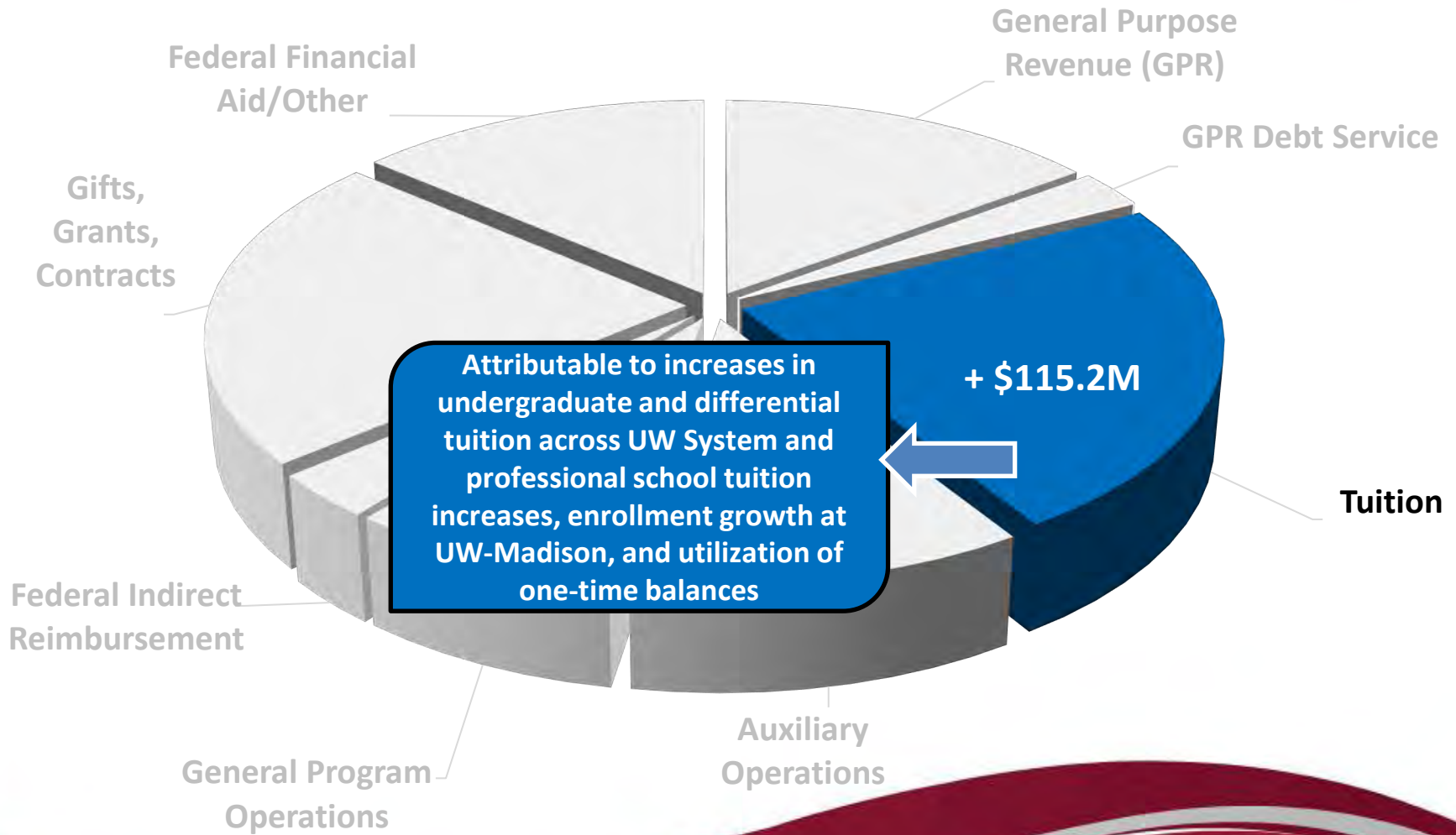
Revenue Source: Tuition



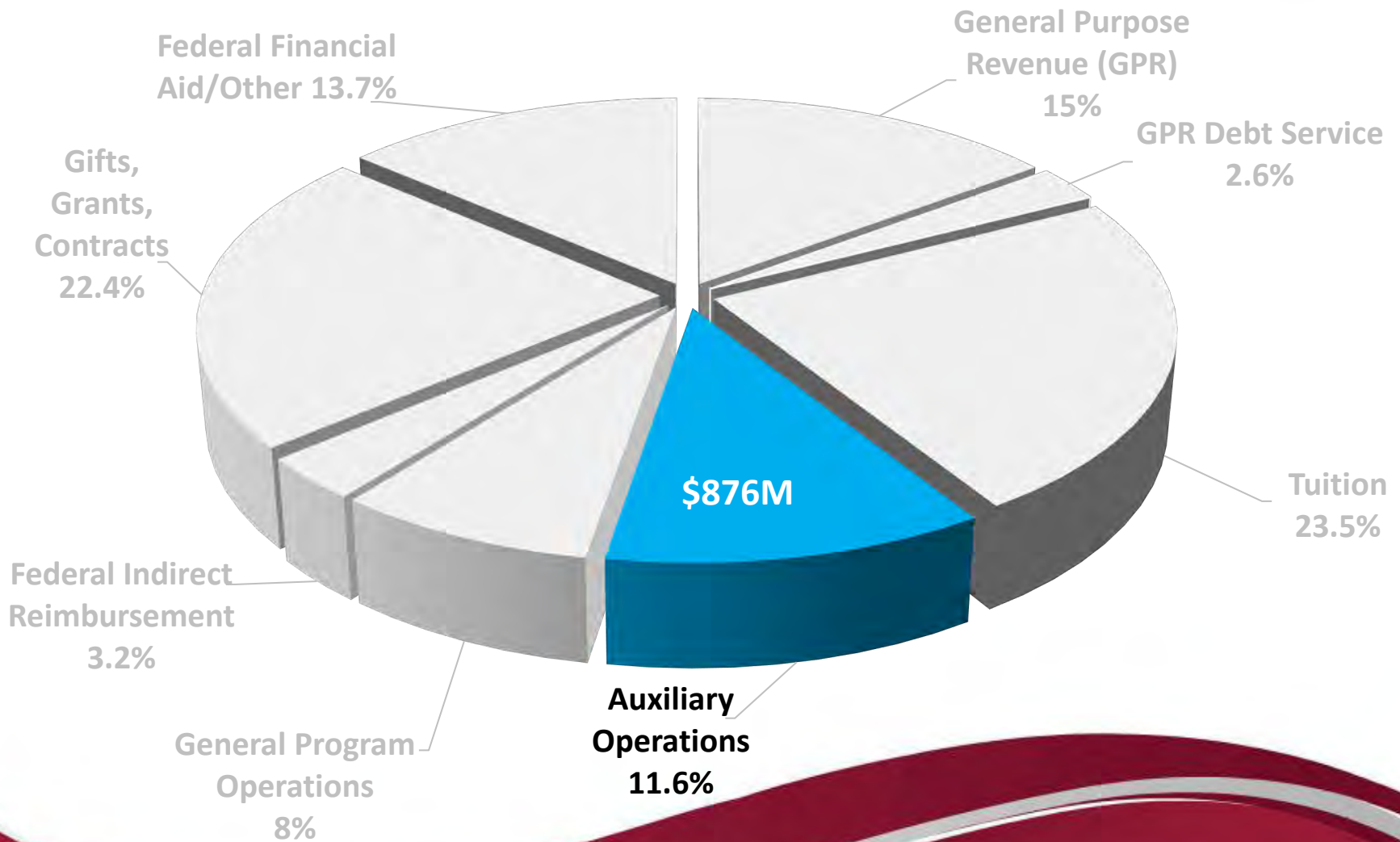
Budget Change: Tuition



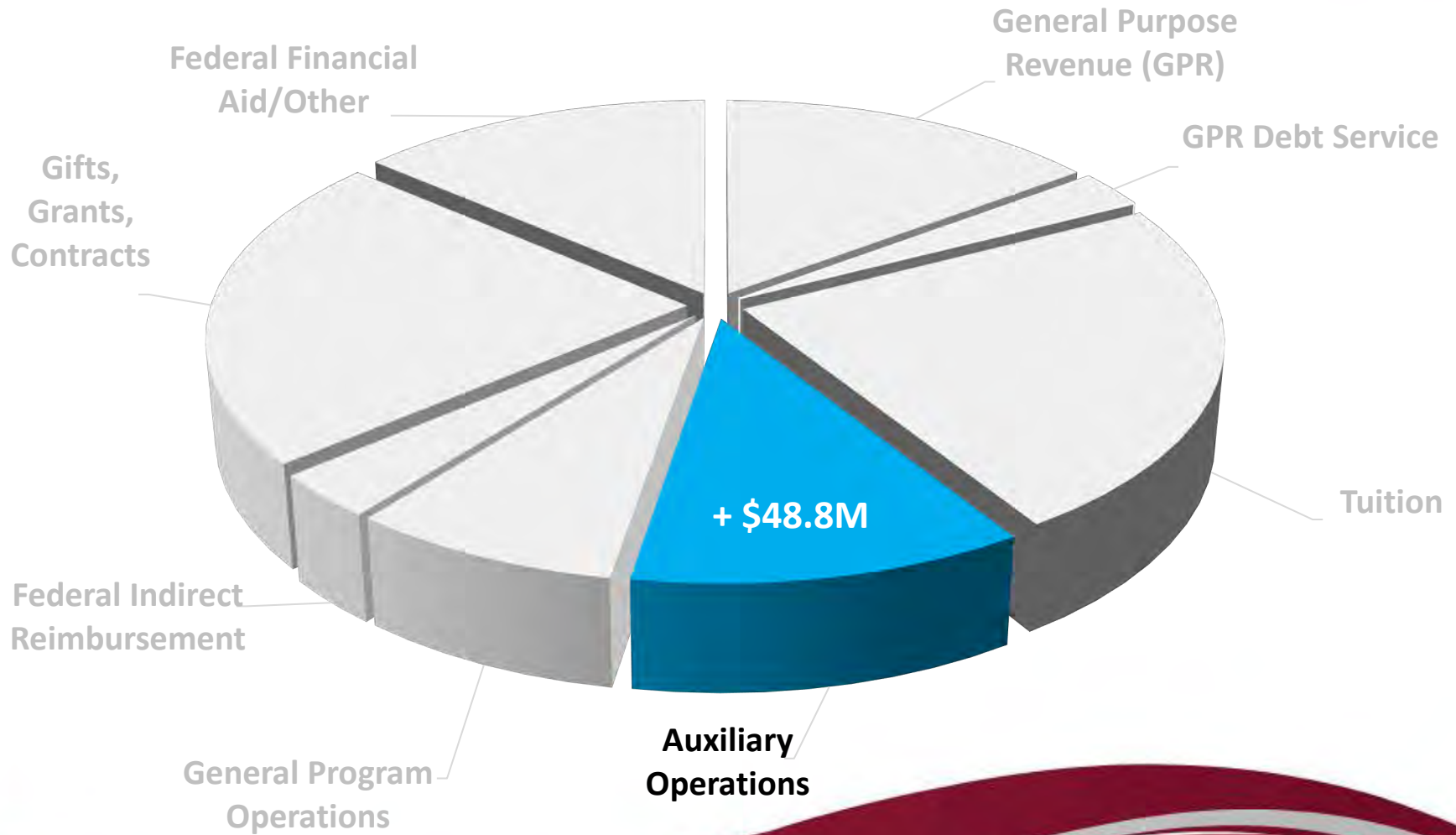
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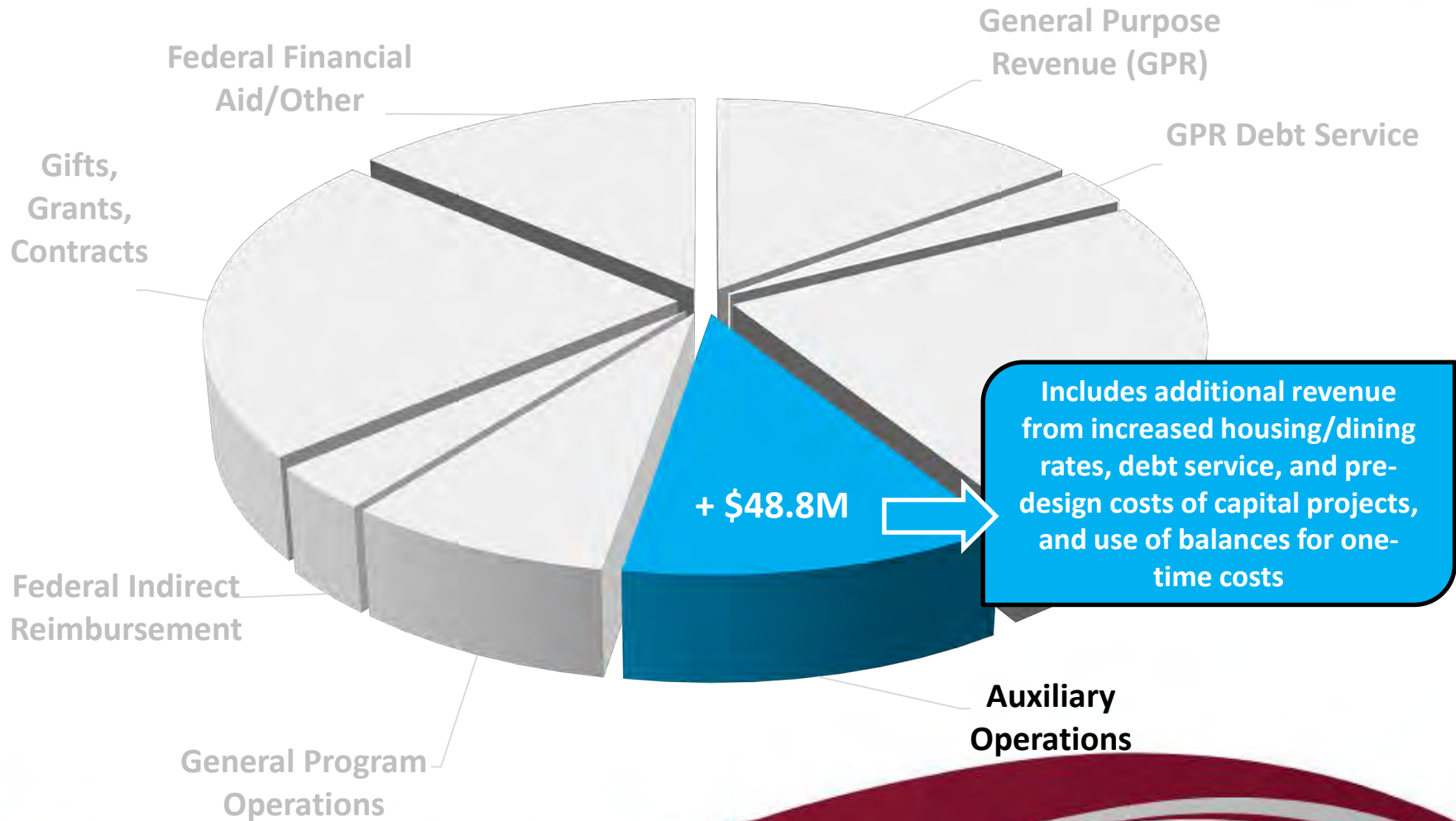
Revenue Source: Auxiliary Operations



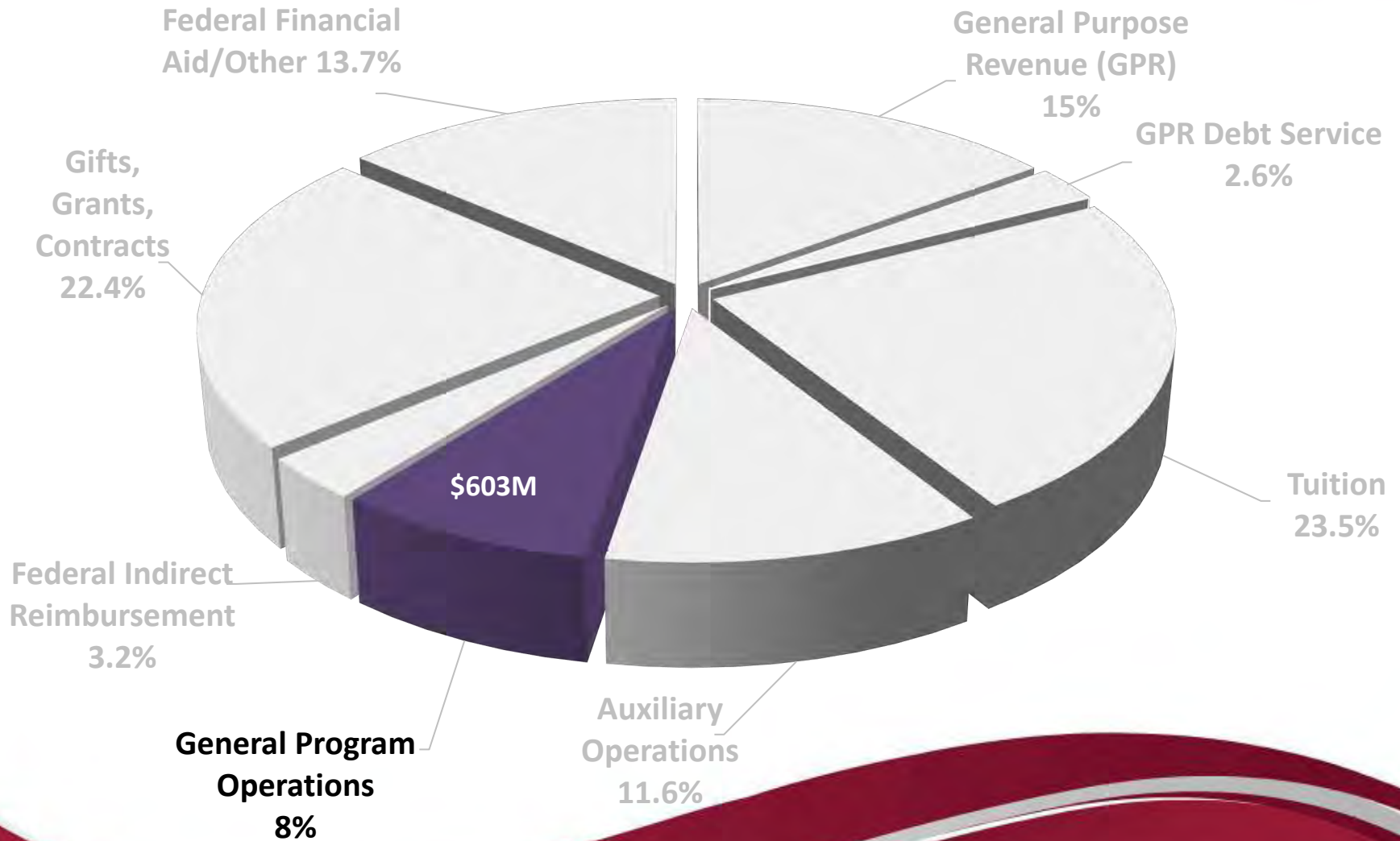
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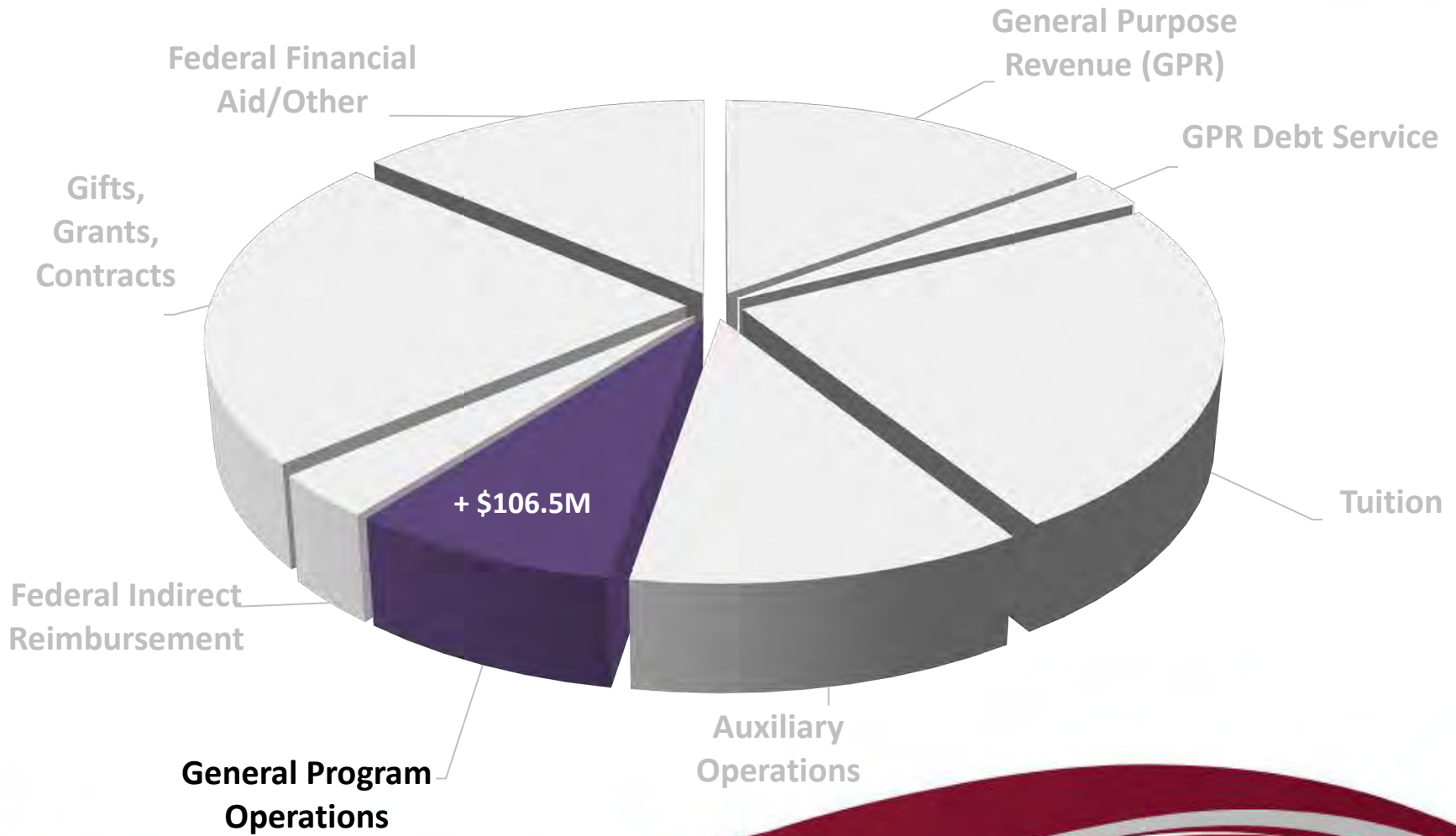
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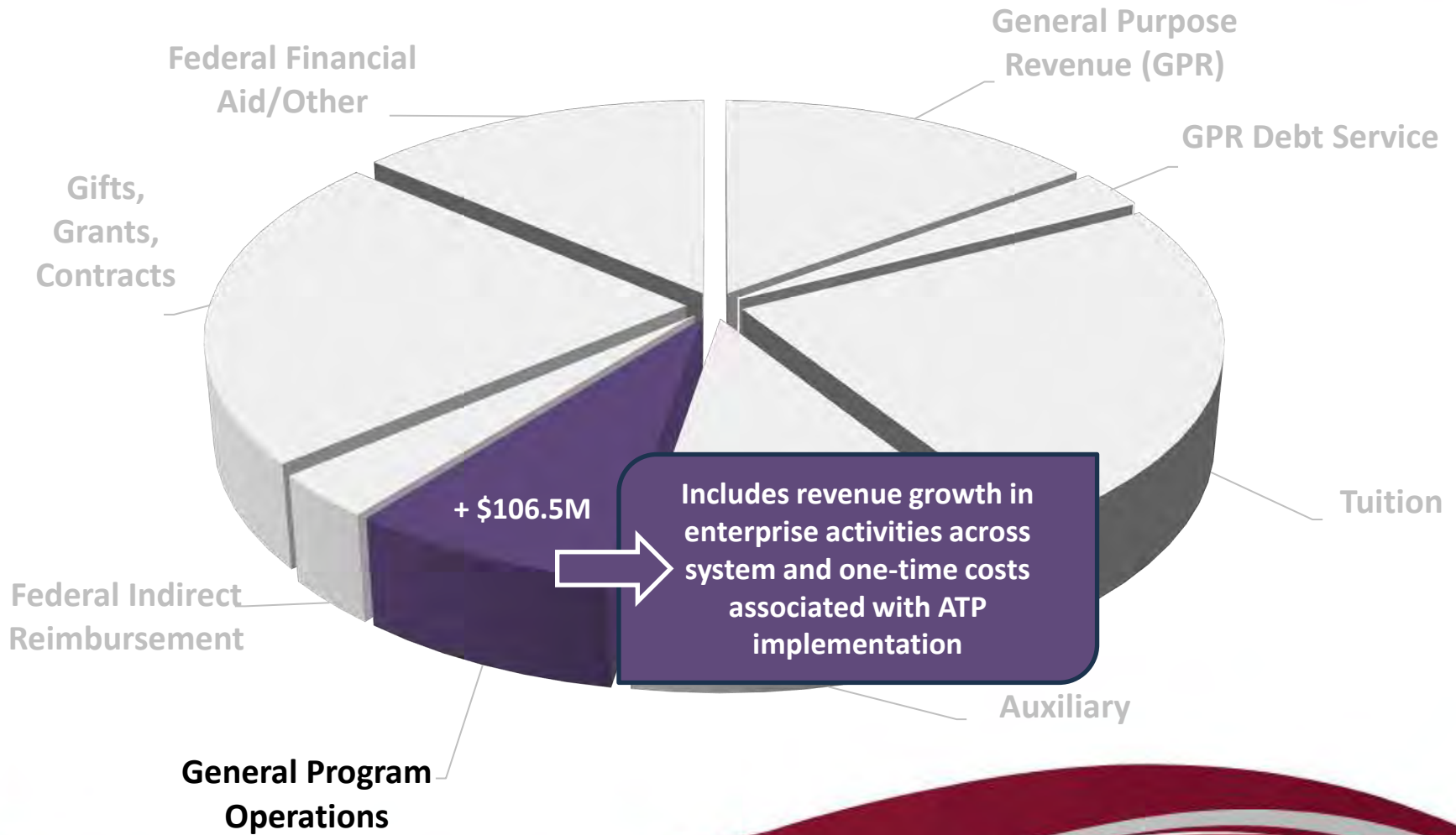
Revenue Source: General Program Operations



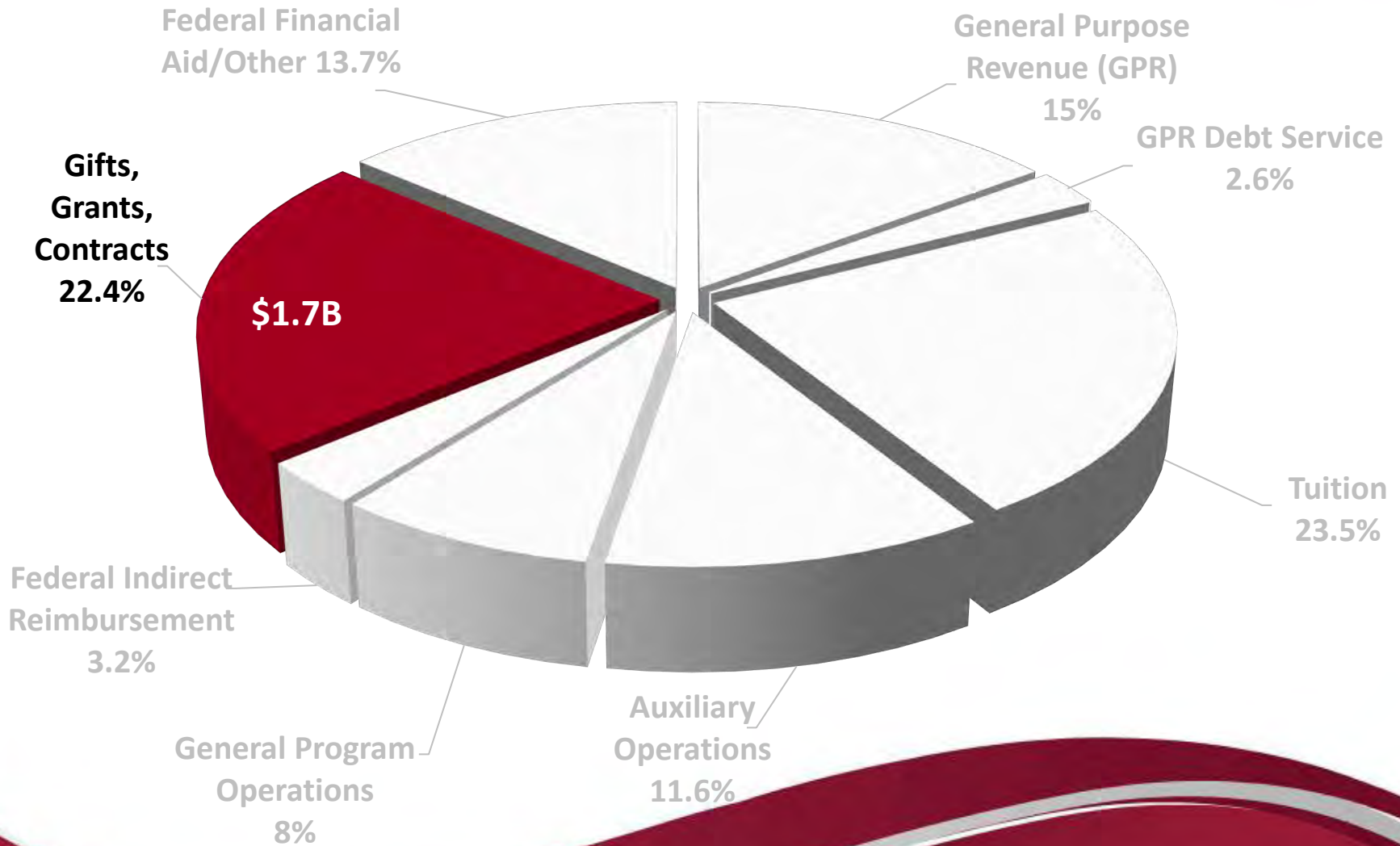
Budget Change: General Program Operations



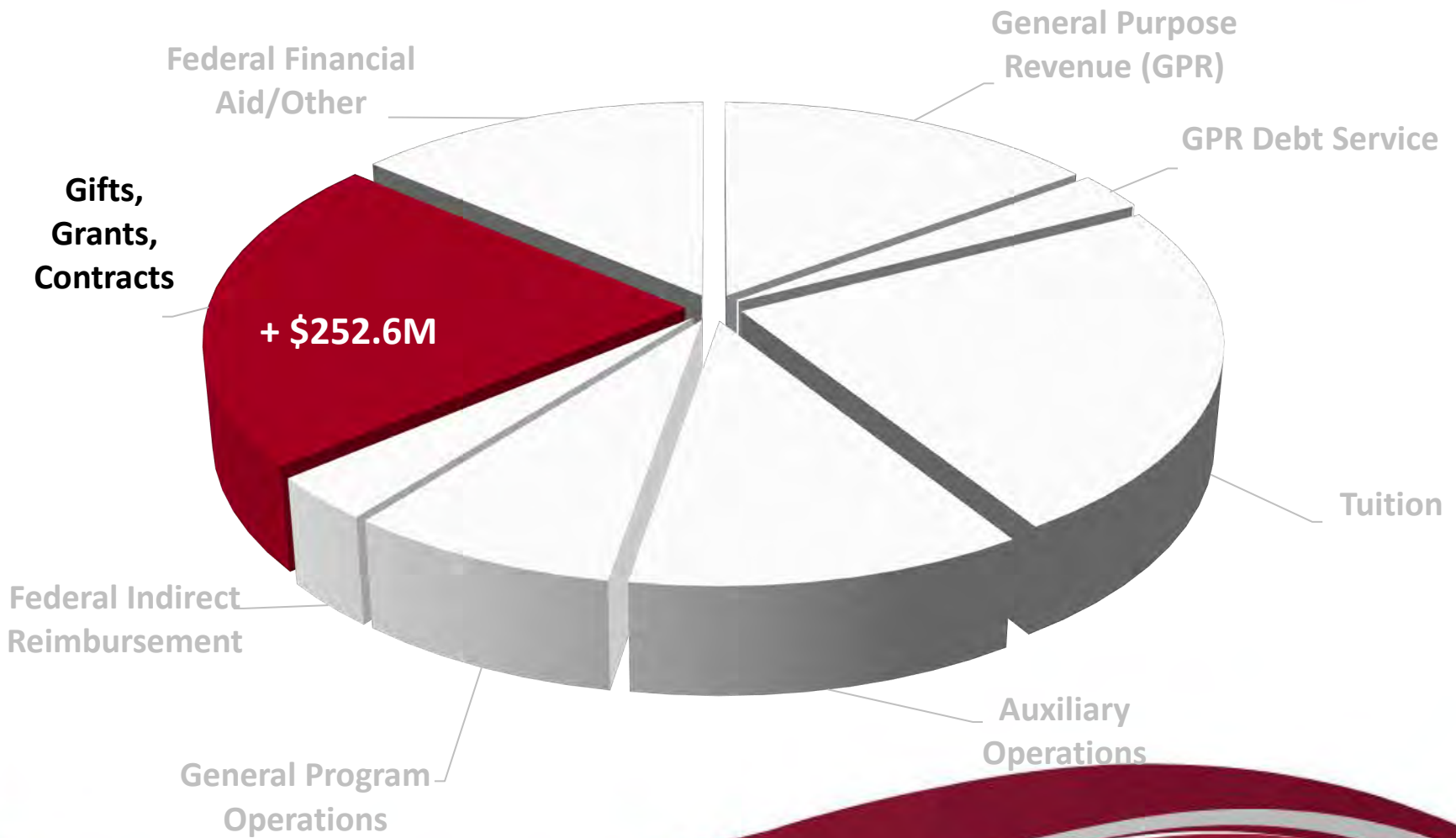
Budget Change: General Program Operations



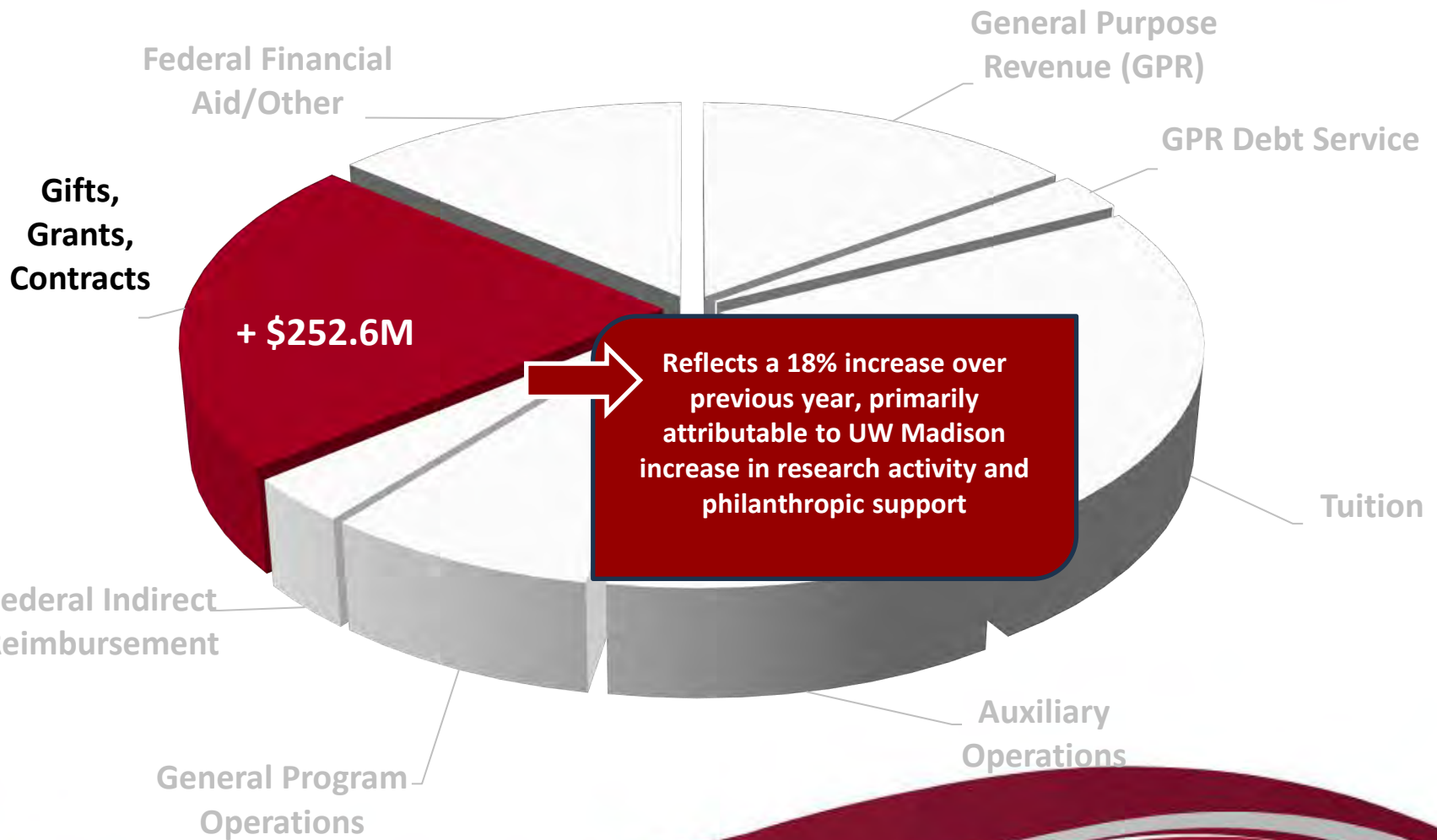
Revenue Source: Gifts, Grants, Contracts



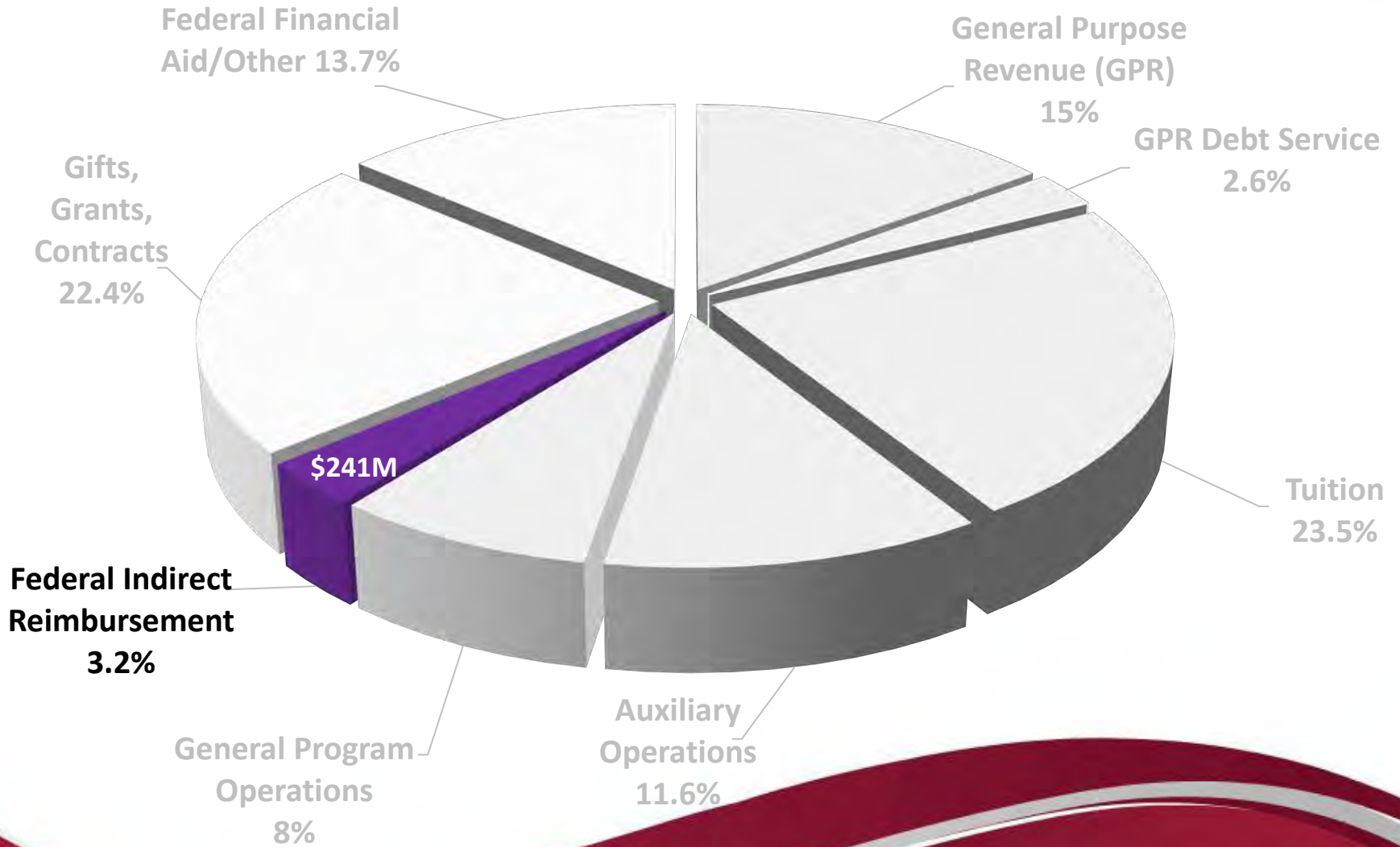
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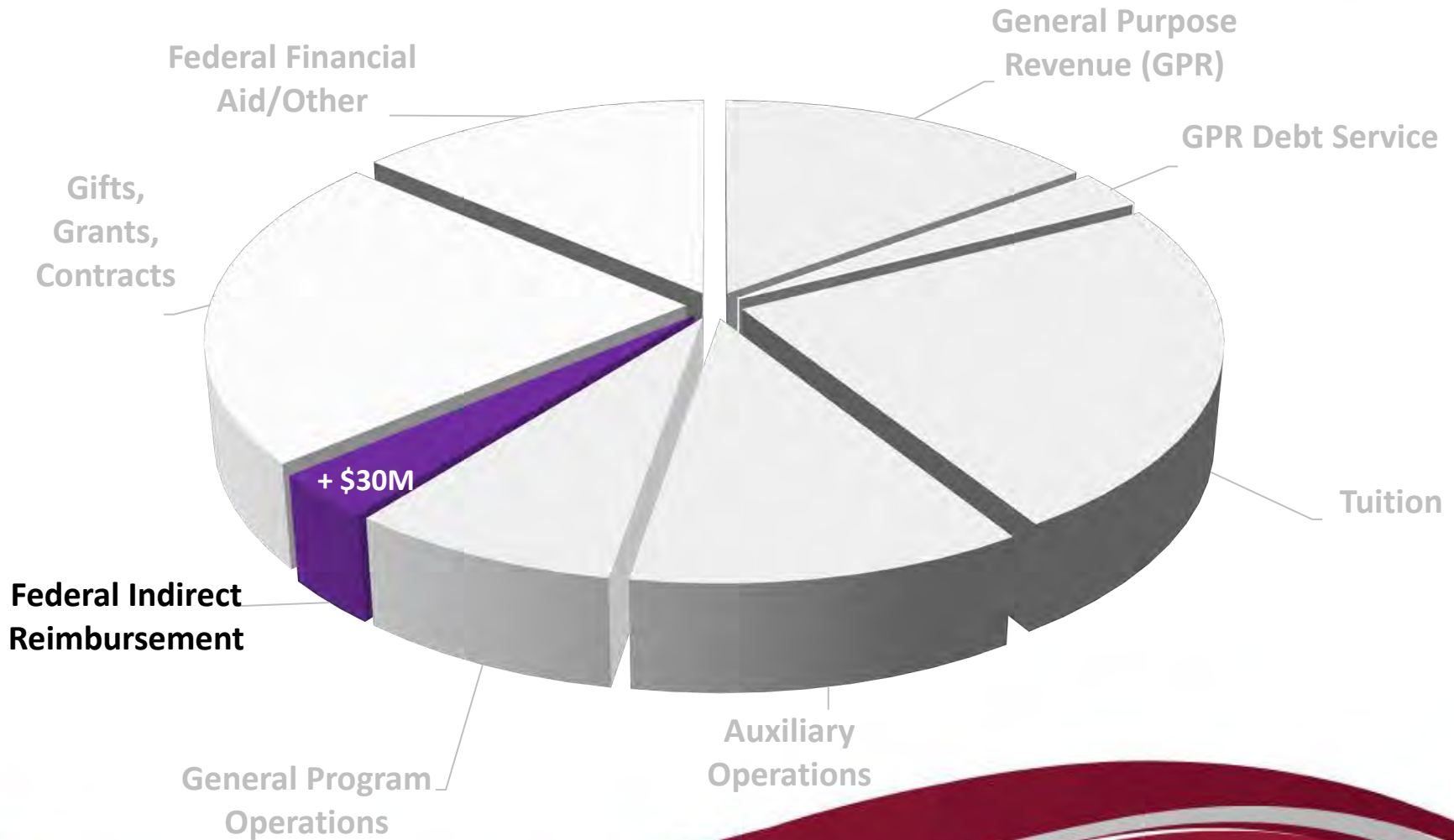
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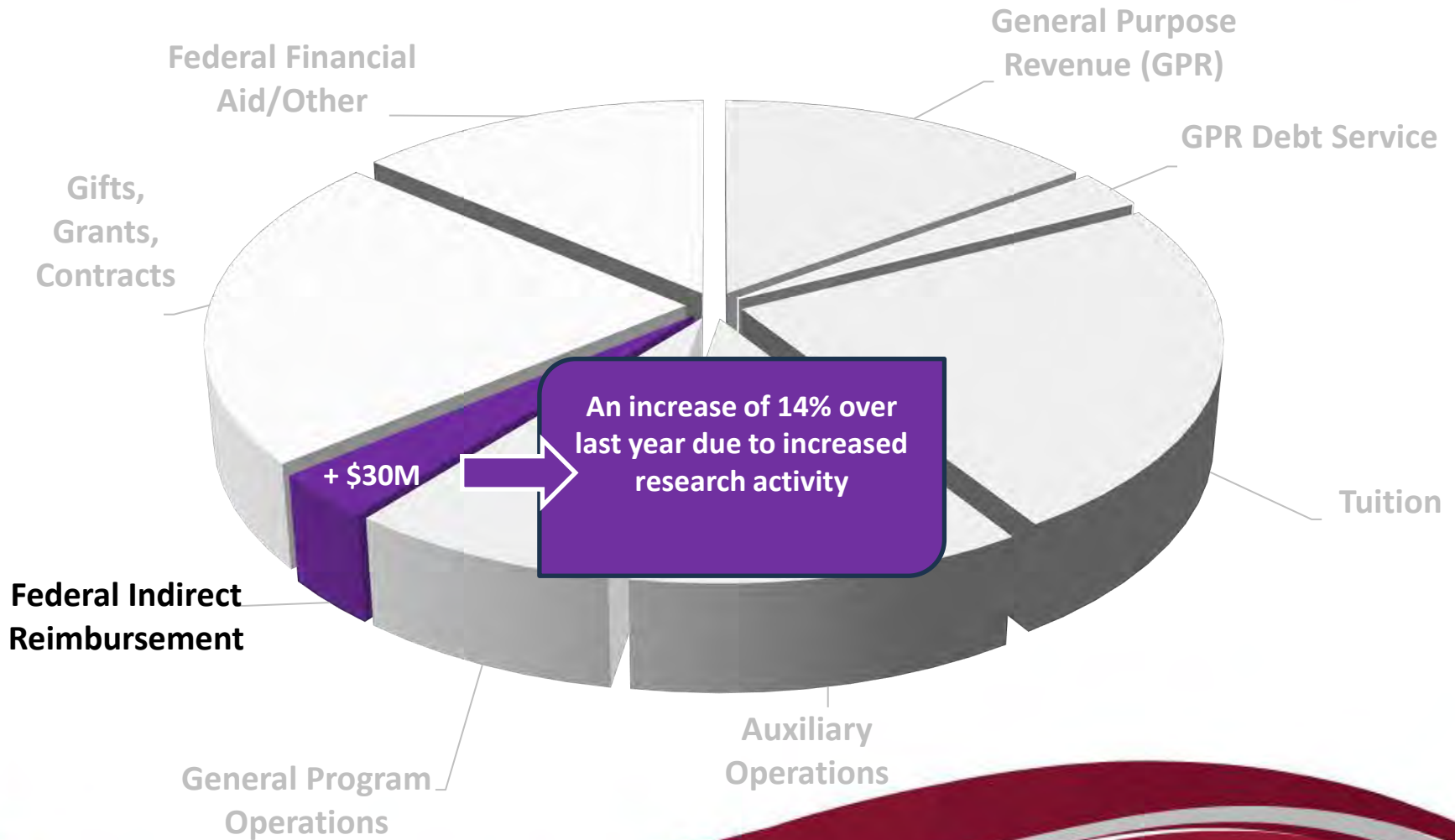
Revenue Source: Federal Indirect Reimbursement



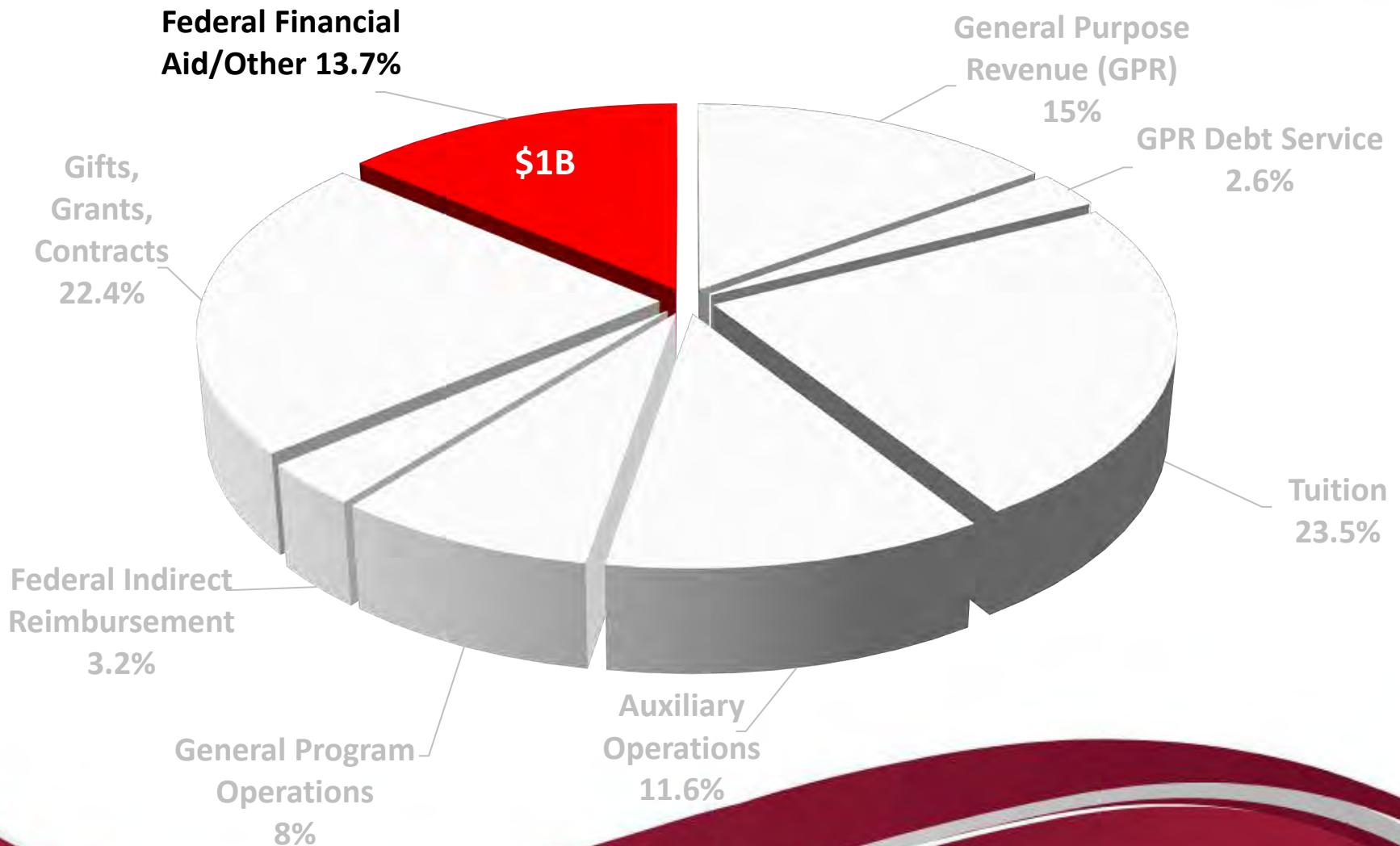
Budget Change: Federal Indirect Reimbursement



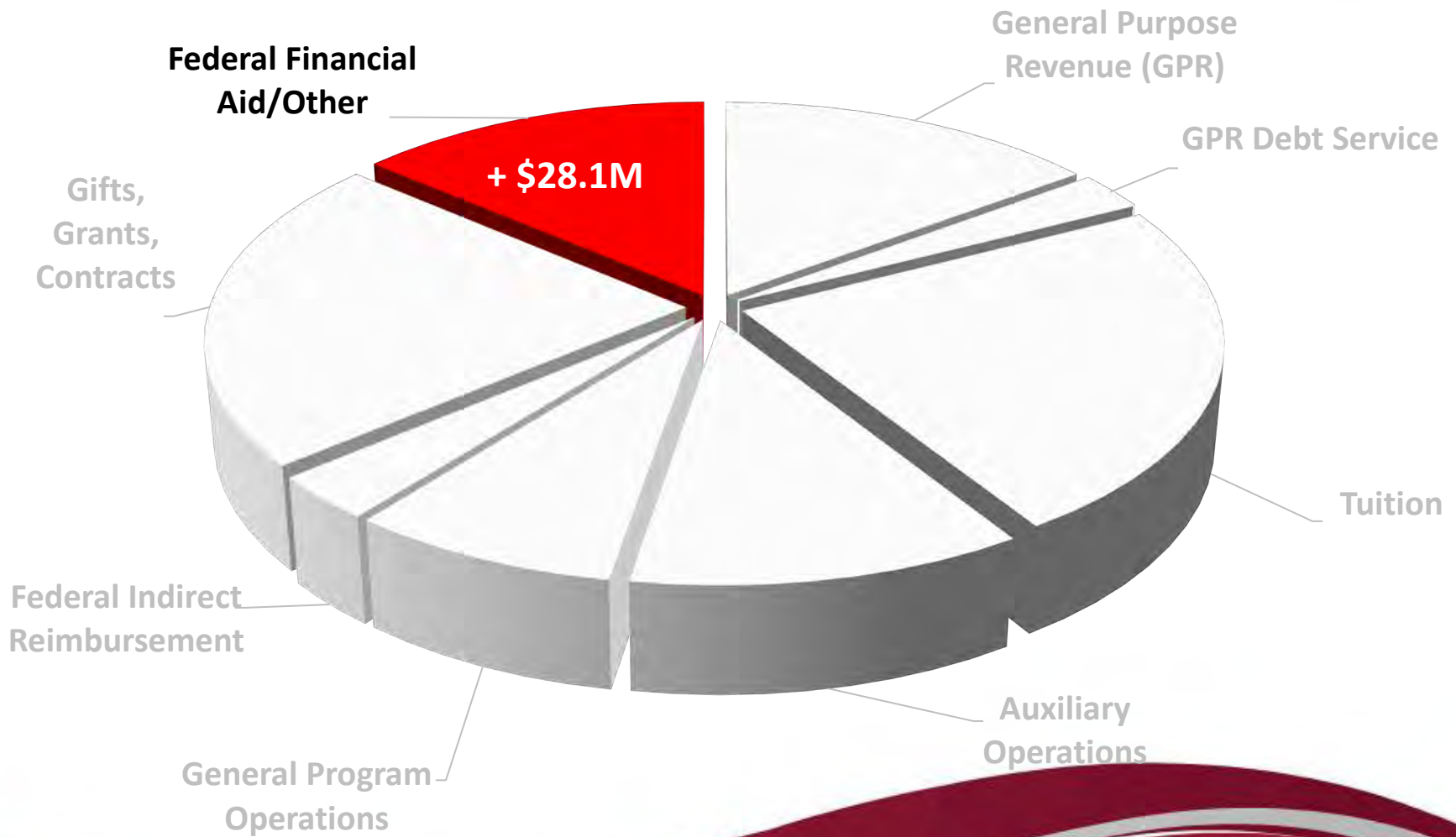
Budget Change: Federal Indirect Reimbursement



Revenue Source: Federal Financial Aid/Other

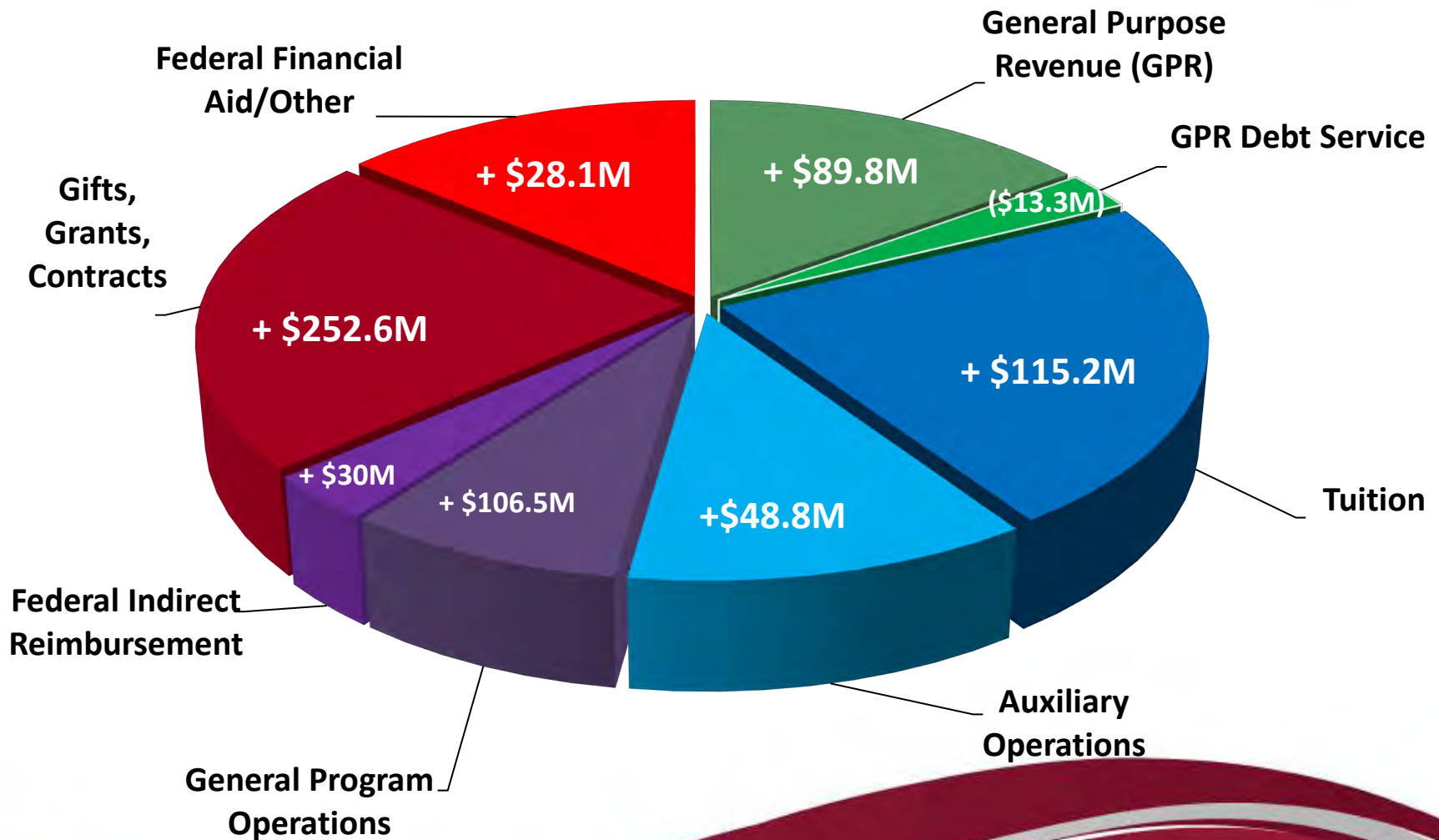


Budget Change: Federal Financial Aid/Other



Change in Budget over FY23

➤ Total Change over FY23: \$657.7M



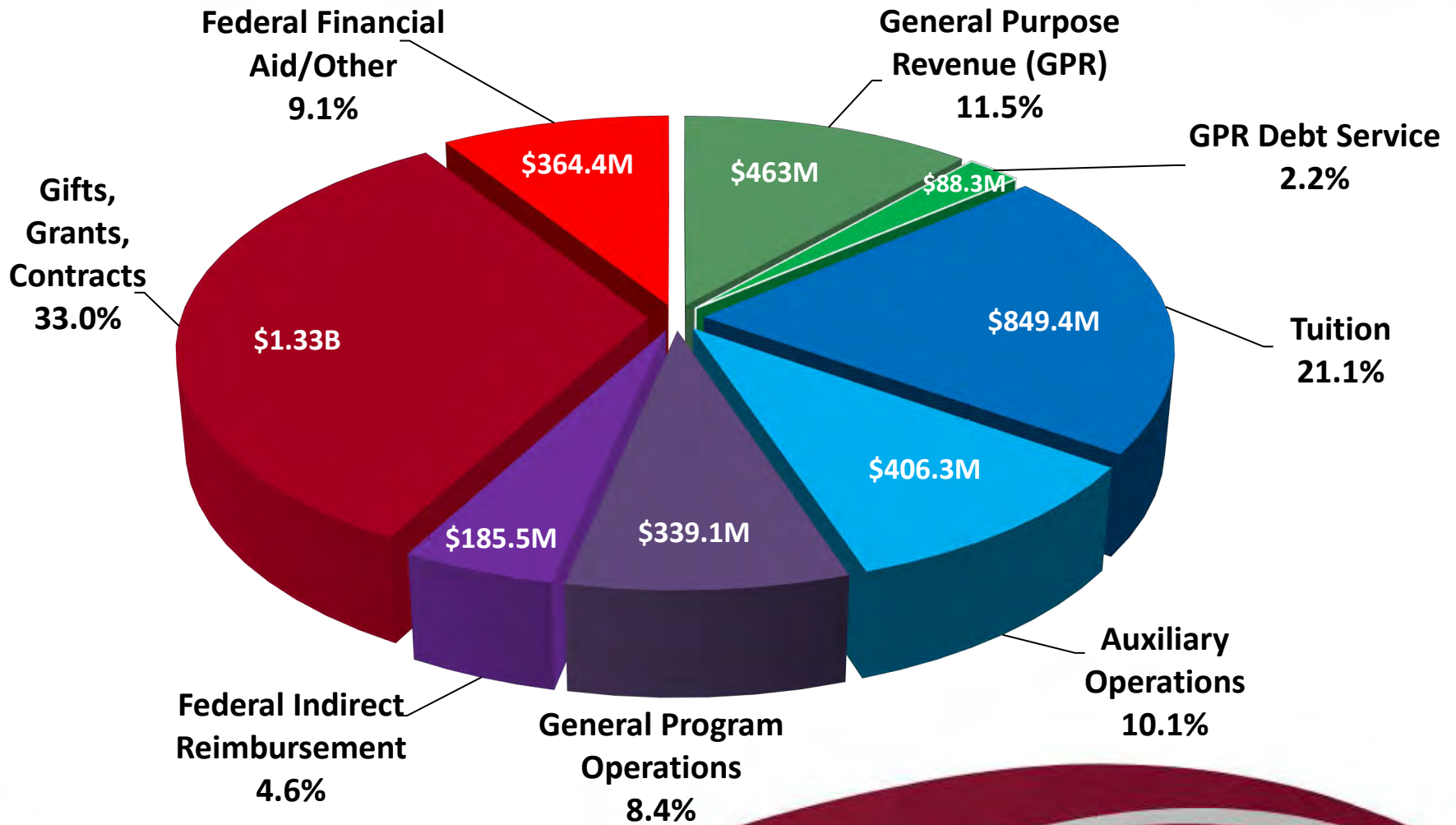
Supplemental Budget Information:

- Revenue Diversity on UW System Campuses
- Structural Deficits
- Budget Alignment with Strategic Plan
- Looking Ahead

Revenue Diversity: UW Madison



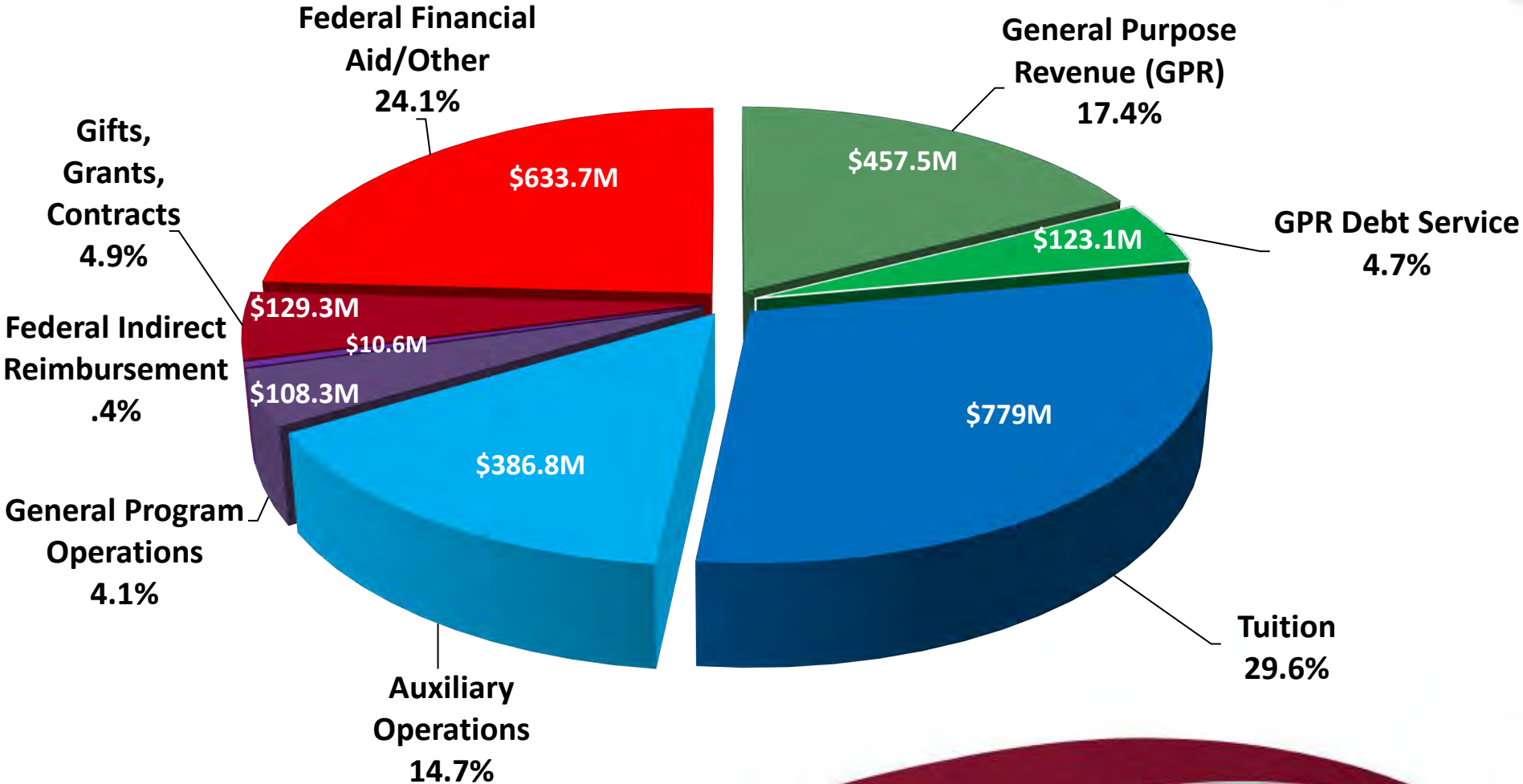
➤ *FY23 Revenue Budget - \$4B*



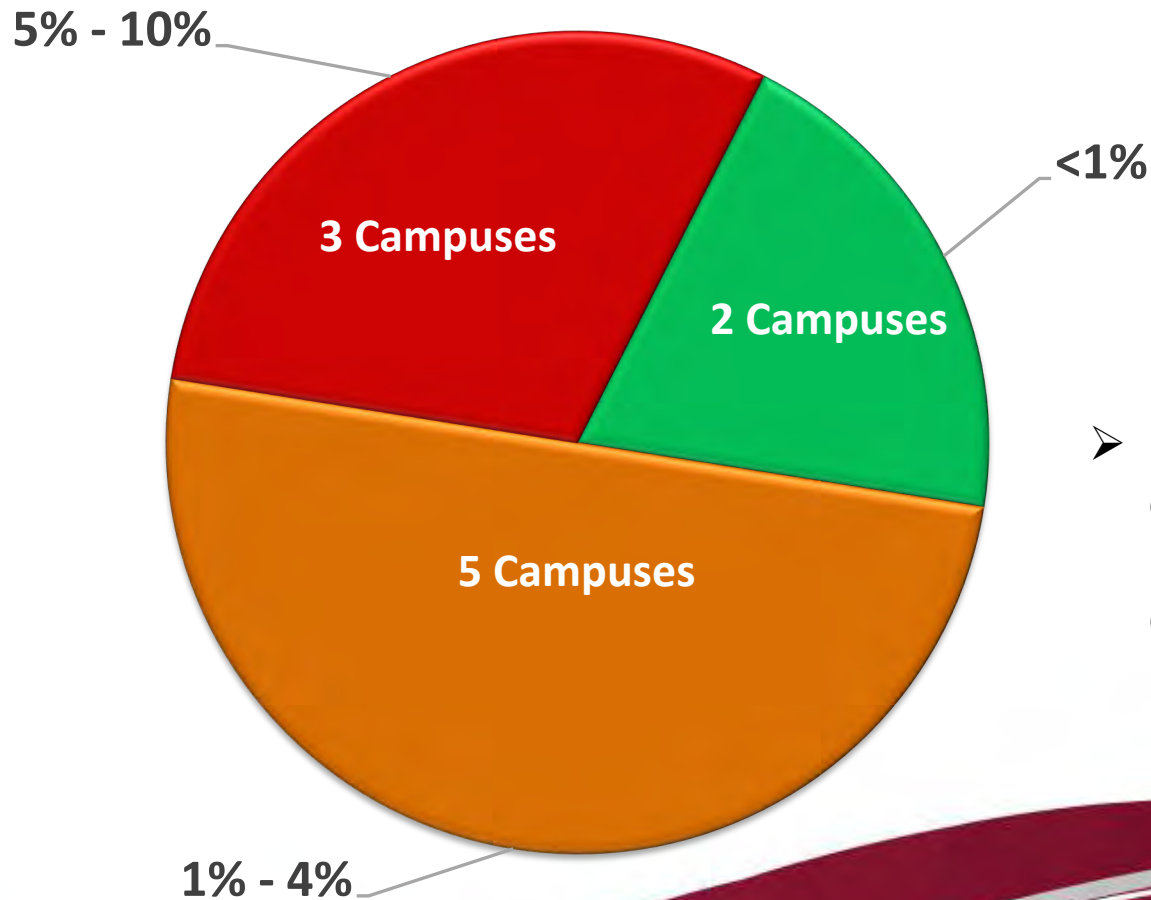
Revenue Diversity: Non-Madison Campuses



➤ *FY23 Revenue Budget - \$2.63B*



FY24 Structural Deficit as a Percent of FY23 Actual Expenses



➤ 10 of 13 UW campuses are reporting a structural deficit for FY24

Annual Budget Alignment with Strategic Plan

- Individual campus narratives in the budget document **highlight specific initiatives** that support the UW Strategic Plan, including:
 - **UW-Oshkosh, UW-Parkside, and UW-Platteville**: considering and taking various actions to address budget deficits in 2023-24 (Strategy 5)
 - **UW-Milwaukee**: targeting student aid packages through comprehensive 4-yr awards and retention/completion grants of \$9M (Strategy 2)
 - **UW-Green Bay**: expanding number of high schools participating in Rising Phoenix early college program, increase from 20 students in inaugural year to 400 in 2023-24 (Strategy 1)
 - **UW-River Falls**: improving transfer enrollment with a CVTC partnership and transfer advisor co-funded with UW-Stout and UW-Eau Claire (Strategy 1)



Summary Budget Detail by UW Institution

➤ Enrollments, Revenue/Expense, Balance Projections, & Alignment with Strategic Plan



UW-Milwaukee Mission Statement

To fulfill its mission as a major urban doctoral university and to meet the diverse needs of Wisconsin's largest metropolitan area, the University of Wisconsin-Milwaukee must provide a wide array of degree programs, a variety of in-person, hybrid, and virtual modalities, organized around care and human services.

Enrollments have declined since 2018-19 and are projected to decline slightly in 2023-24 as compared with 2022-23 due to smaller cohorts matriculating from the pandemic.

Key Drivers in the 2023-24 Annual Budget:

- Enrollments have declined since 2018-19 and are projected to decline slightly in 2023-24 as compared with 2022-23 due to smaller cohorts matriculating from the pandemic.
- Main campus undergraduate enrollment is projected to decline by 1.4% (FTE).
- Graduate enrollment is projected to increase by 0.7% (FTE) but is currently trending at an increase of over 3%.
- Branch campus enrollment is projected to decline by 9.6% (FTE).
- Branch campus revenues are expected to increase by 5.5%, or \$31 million from the prior year.
- In 2023-24, revenues are expected to increase by 7.6%, or \$4.6M from the prior year. Key drivers in revenues are:
 - Growth in online instruction and increases in program specific differential tuition rates.
 - Associate enrollments.
 - A 4.5% resident and 2.5% non-resident tuition increase will fund increases in salaries due to pay plan as well as costs of instruction and advising.
 - A budgeting change that includes \$6.1M Veterans Remission/TAG funds in the budget for the first time.
 - A 2.4% 30g fee rate increase at the main campus, 5% 30g fee rate increase at the branch campuses, and 3.3% room & board rate increase, that will fund increased costs related to maintenance, repairs, and capital spending.
 - Spending for contract and grant revenue by about 18% and gift revenue by 18%.
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- In 2023-24, expenses are expected to increase by 3.8%, or \$22.7 million from the prior year. Key drivers in expenses are:
 - Budgeted reduction of 3.5% in operating expenses in response to revenue declines.
 - Anticipated increase in salary expenses by 5%, or \$13.2M primarily due to pay plan, a 27th pay period, and market pressures.
 - Projected increase in supplies and expenses (\$8.6) by 8% due to increases in federal grant and contracts (fund 144) activity, one-time expenses for moving out of the Global Water Center following discontinuation of the lease (fund 136), and overall impact of inflation.
 - Increase in financial aid expenses, excluding Federal Financial Aid, by \$7.5M primarily due to a 2023-24 budgeting change which includes \$6M of Veterans Remission/TAG funds.



University of Wisconsin - Stout

UW-Stout Mission Statement

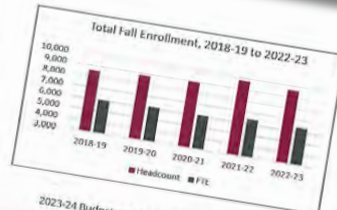
The University of Wisconsin-Stout is a public university that combines interdisciplinary knowledge and discipline-specific technical expertise to provide a global experience for our students. We offer career-focused undergraduate and graduate programs in a variety of fields, including engineering, technology, business, and design. Our programs are designed to prepare students for the workforce and to support their personal and professional growth.

Key Drivers in the 2023-24 Annual Budget:

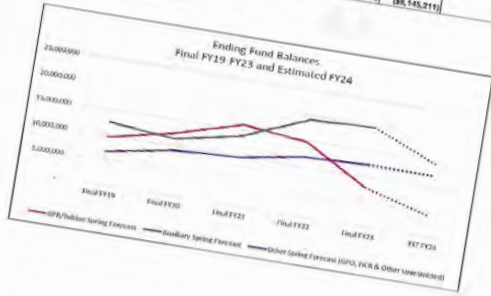
- Undergraduate enrollment will net a decrease of 210 FTE students in 2023-24.
- Undergraduate enrollment will remain steady or increase.
- Graduate enrollment is projected to increase by 0.7% (FTE).
- Revenues are expected to increase by 2.8%, or \$4.6M from the prior year. Key drivers in revenues are:
 - Differential rates in engineering and Bachelor of Fine Arts programs.
 - Increases in auxiliary fees.
 - Investment in IT infrastructure \$800k, and increased debt payments out of normal amortization reserves.
- Expenses are expected to increase by 7.6%, or \$12.5M from the prior year. Key drivers in expenses are:
 - Investment in IT infrastructure \$800k, and increased debt payments out of normal amortization reserves.
 - Structural deficit.
 - Structural deficit in GPR/Tuition.



University of Wisconsin - Green Bay



GPR/Tuition	Expenses		Revenue		Revenue Less Expense**	Unrestricted Fund Balances	
	2023-2024 Budget	\$ Change FY23 to FY24	2023-2024 Budget	\$ Change FY23 to FY24		FY23 Balance	FY24 Balance**
GPR/Tuition	\$62,326,961	\$1,027,056	\$62,986,257	\$659,033	(\$1,512,880)	\$7,762,526	\$4,229,680
Auxiliaries	\$581,700	\$581,700	\$581,700	\$581,700	\$0	\$0	\$0
General Program Operations	\$26,708,104	\$3,099,693	\$31,498,598	\$4,790,494	(\$4,790,494)	\$0	\$0
Fed/Instnt Cost Reimb	\$3,800,000	\$0	\$3,800,000	\$0	\$0	\$0	\$0
Gifts, Grants, Contracts	\$566,600	\$263,000	\$829,600	\$263,000	\$263,000	\$0	\$0
Federal Financial Aid Center	\$6,000,000	\$283,624	\$6,283,624	\$283,624	(\$283,624)	\$0	\$0
Total	\$85,003,265	\$3,675,373	\$88,678,631	\$4,326,747	(\$4,326,747)	\$7,762,526	\$4,229,680
One-Time Use of Tuition Balances	\$445,682,089	\$1,801,917	\$447,484,006	\$1,801,917	\$0	\$0	\$0
Total Including Use of Balances	\$89,448,954	\$5,477,290	\$94,162,637	\$6,128,664	(\$6,128,664)	\$7,762,526	\$4,229,680
**FY23 Balance Excludes One-Time Use of Tuition Balances	\$198,274,252	\$16,082,981	\$214,357,233	\$16,082,981	(\$16,082,981)	\$29,808,709	\$13,726,728
**Projected FY24 Balance Excludes Structural Deficit	\$4,172,184	\$4,172,184	\$4,172,184	\$4,172,184	\$0	\$0	\$0



Looking Ahead

- Awaiting final **approval of Pay Plan** by the Joint Committee on Employment Relations (JCOER)
- Financial and strategic assessment on **planning and benchmarking to continue** through May 2024
- **Review considerations for the allocation of GPR** for the 13 campuses
- Ongoing review and discussion of **options for the branch campuses**
- **Board of Regents to be apprised** on any substantive changes and developments regarding FY24



UNIVERSITY OF WISCONSIN SYSTEM

QUESTIONS?